

WHAT PRICE ISRAEL'S DEFENSE?

The Middle East's New High Standard of Armaments

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IF ALL the weapons mounted on one of the twenty-four Israeli Mystère Mark IV jets newly purchased from France are fired for a total of sixty seconds, replacement of the rockets and other missiles expended in that single minute will cost \$20,000.

Israel's need today for weapons—and the money to pay for them—is as urgent as it was in the spring of 1948, when the emerging Jewish state had only some ancient light artillery pieces, a few Piper Cubs, and not one tank with which to defend herself against five invading Arab armies. Recent introduction into the Middle East of ultra high-speed aircraft—by the Soviets—and tanks equipped with complex electronic devices—by the British—has revolutionized Israel's military cost-of-living index. Her usual cut-rate sources of supply—traders in surplus stocks of World War II and Korean date—are not peddling the new hardware. It is available only from the producers, and only by special authorization. The Arabs enjoy more than adequate access to Soviet stores, and generally at bargain terms. The Israelis—when they manage to persuade a Western government or licensee to release a limited quantity—must pay list prices which, by contrast with pre-supersonic days, are literally enormous.

To keep herself minimally prepared against the threat implicit in Egypt's arms

deal with the Soviet Union last September, Israel is being compelled to spend on *extra* weapons and materiel an amount of foreign currency equal to fully *half her total annual import* of goods and raw materials for her population's consumer needs. As former Foreign Minister Moshe Sharett has put it, Israel is under the mortal necessity to acquire "very costly modern military equipment out of all proportion to the normal needs of a country of our size—out of all proportion to the normal capacity of a population of our dimensions." This drain on Israel's meager resources is one of the Arab world's shrewdest calculations in its effort to encompass her ruin and ultimate extinction.

ONCE upon a time, before the era of standardized modern equipment ushered in by the North Atlantic Treaty Organization, the cost of Middle Eastern preparedness—for both sides—made sense, at least in terms of budgets. The West was the only outside supplier, directly or indirectly, for arms to the Middle East, in effect controlling the nature of the weapons acquired and the scale of armament. And the West, for a variety of reasons, slowed up both on conventional arms production and on research for more advanced (and expensive) models. This was the period of the Marshall Plan, with its emphasis on economic recovery rather than military ultra-readiness. Until 1950 no new types of arms arrived to upset the Middle Eastern balance of power.

In the Arab-Israeli war, both antagonists had obtained their weapons for the most part from surplus stock (the Arabs mainly through agreements with foreign governments, the Israelis through private dealers), except for light arms which could be bought

THIS detailed report on the pressing problems—military and financial—of Israel's security is the fourth in a series of articles by HAL LEHRMAN, the other three having appeared in our February, March, and May issues. Mr. Lehrman is a well-known journalist and lecturer, and author of the recent *Portrait of Israel: Myth and Reality* (Public Affairs Committee, New York) as well as several works on world affairs.

straight from manufacturers or were sometimes even produced locally. In wartime, because of the mass output of established models, the per-unit factory cost of armaments can be held down, and large quantities of World War II (and later of Korean war) materiel were left over for disposal to bargain hunters. The Patton tank now used by the peacetime American army costs approximately \$175,000 new, but the Sherman tank, which was the staple of the wartime army, came off the assembly line for only \$55,000; Israeli agents later could pick one up for as little as \$10,000, reconditioned. The P-51 Mustang fighter plane, American equivalent of the British Spitfire or German Messerschmitt, was worth over \$50,000 new—and was acquired by the Israeli air force at second hand for around a third of that price. The Mosquito light bomber, originally \$100,000, went for barely \$15,000.

In 1950, according to the Israelis, the British began upsetting the arms balance—and arms prices—by introducing jets and other up-to-date equipment into the Middle East. Starting with a bulk sale in that year to Cairo, Britain by 1955 had supplied Egypt, Syria, Lebanon, Iraq, and Jordan with an estimated 150 early jets of the Meteor, Vampire, and Venom night-fighter types (in addition to some 50 Centurions, a tank twice as heavy as the Sherman, for Egypt and Iraq). Egypt received 100 of the Meteors and Vampires, which could fly better than 30 per cent faster than the piston-engined Spitfires and P-51's that had been the stock Middle Eastern fighter planes until then.

Nevertheless, the problem of defense was then regarded in Israel as disturbing rather than desperate. The primitive jets had not yet approached the sound barrier; their superiority in speed could conceivably be compensated for by the superior skill of Israeli pilots; besides, although Britain denied night-fighter jets to the Israelis, she did allow them to acquire at least 14 daytime Meteor jets, to which another 10 were later added to constitute a full wing of 24 fighters. In addition to the Centurions, Britain had delivered to Egypt (surreptitiously via Belgium) about

200 heavy Valentine tanks, and to Iraq 30 Churchill tanks. But the Valentines were already obsolescent and the Churchills no more than a match for the Shermans, which Israel continued to buy and improve in armor and rate of fire. Although Britain refused to sell Israel any Centurions, an adequate rejoinder to them—though only defensively—was at hand in the AMX-13, a light fast French tank with high armor-piercing firepower.

In sum, before the Cairo-Moscow transaction of September 1955, the situation could still be seen from Jerusalem as tolerable, financially as well as militarily. The Israeli establishment had been steadily absorbing arms since 1948, and by 1955 this normal purchasing program was tapering off to an estimated expenditure of upwards of \$10 million yearly.

A FAR greater drain was the massive costs of training the citizen army and maintaining the reserves—the latter by a system hailed as unique in the world for its comprehensiveness. An estimated quarter-million combat and service troops could be mobilized almost overnight out of a total Jewish population reservoir of scarcely one and a half million. An intensively trained standing army and an outsize reserve were Israel's greatest and ultimately lone guarantee against annihilation.

The relatively enormous charges of this army were kept down wherever possible. Food, basic clothing, fuel, and maintenance of equipment were never stinted on, but everything else was. Salaries were low, for all ranks. Top pay for generals was IL 450* monthly, including all allowances. A private received IL 7.50 a month. Reservists, who spent as much as forty days yearly away from their civilian jobs in active field training, were given practically nothing except their food. (An employer-employee fund covered them up to 80 per cent of their first IL 200 of regular income.) In the two years preceding the Cairo-Moscow deal, new strenu-

*One Israeli pound is officially valued at fifty-six cents.

ous efforts were made to reduce standing costs. The service of conscripts with large families, which involved excessive benefits for dependents, was cut from thirty months to three. Liberal exemptions were granted in the drafting of women. More youngsters than before were sent into "Nahal," the farm labor para-military corps attached to (and paid by) the agricultural settlements. Minor essentials, like military bands, were pared down. Certain military institutions, including hospitals, were transferred to civilian management. It is claimed that such economies brought an across-the-board over-all saving of close to 20 per cent.

According to guarded estimates, Israel's defense costs in the fiscal year of 1955-56 (before the full financial impact of the Soviet-provoked arms crisis was felt) are said to have totaled between IL 125 and IL 145 million. This, of course, does not include the incalculable losses caused by diversion of manpower, the curtailed output of harassed border settlements, or the added charges inflicted by Arab boycott, blockade, and so forth. Of the estimated sum actually expended for military purposes, between \$20 and \$30 million represented foreign valuta, the remainder local currency.

This was already a heavy burden for Israel, with its limited resources and pressing domestic needs, although the "normal," pre-emergency cost of preparedness in 1955-56 had constituted only some 30 per cent of that part of the Israeli budget comparable in function to the Federal budget of the United States. This ratio was much smaller than the ratio of defense to budget in the U. S. (if I may be permitted to compare the very small with the very large), where it came to 50 per cent. Computation of Israeli and American defense costs on a per capita basis would show the Israeli outlay to be even more restrained: for Israel, around \$45 (IL 80) per capita; for the U. S., some \$200 per capita—or over four times larger.

ALL such calculations have been rendered academic, however, by the arms-purchasing program which Israel has felt obliged

to set for herself in reply to the threat of Egypt's new arms.

Egypt's new armament has forced a drastic revision of all the previous local standards of defense expenditure. Postwar output of ultra-modern weapons is rigidly limited because of the appalling pace of research and obsolescence. It takes two years or more to produce a new jet-type plane in quantity. No sooner does one model begin coming off the assembly line than the prototype of a newer model is already in the air. While the American F-84 fighter was in production, the F-86 Sabre jet (the peer of the Soviet Mig-15 acquired by the Arabs) was being tested, soon to be followed by the even faster F-100 (which was comparable to the advanced Mig-17). Over 15,000 piston-engined Mustang fighters were manufactured in wartime—but there are probably only around 3,000 Sabre jets in existence. The cost per unit of the new planes is correspondingly magnified. An F-86 is said to sell for \$220,000—not counting spare parts, ammunition, and ground equipment, which just about doubles the price. The French Mystère costs even more. The British-designed Canberra light bomber, equal to the Soviet Ilyushin-28 obtained by Egypt, reportedly sells for \$600,000—as against the \$15,000 which Israel used to pay for a second-hand Mosquito light bomber.

A Sabre jet engine alone costs some \$55,000—roughly what used to be the price of a complete new Mustang or Spitfire. As the human body and brain are too sluggish for combat carried on near the speed of sound—a P-51 pilot was able to use his own eyes to locate and shoot at his foe—in the improved jets, they are replaced by electronic sights immune to speed and altitude, which can cost as much as \$60,000. Longer, costlier runways must be built; ammunition is more complex; special cranes are needed to load the missiles; a special refueling unit with a high-speed pump costs \$20,000. Such prices incorporate a huge bill for development research, which is distributed uneconomically in large chunks over the small total of finished units.

Making matters worse from the Israeli viewpoint, the Arabs were paying less for their new arms than Israel would have to pay for the equivalent. For one thing, the Soviet-made weapons were simpler than their Western counterparts because the Russians go to less trouble for the comfort and security of the man in the machine. And lowering costs still more for the Arabs was the fact that the Mig-15's had been mass-produced just before, during, and after the Korean war, making it possible to distribute them at reduced prices as they were replaced by newer designs. Finally, the Kremlin offered Cairo the easiest possible terms, at cut rates and in return for goods in kind instead of foreign exchange. The Egyptians had little hard money to spare, but plenty of merchandise to barter—especially high-quality cotton, their major cash crop, whose price they were worriedly trying to maintain in a falling world market. The Communist arms-sellers obliged by accepting large quantities at artificially pegged prices (though the Russians have since been reported coolly turning their cotton into cash, at a sharp discount and to Cairo's keen discomfiture, by dumping it on West European markets).

An informed analysis of the Prague deal, estimating the realistic "market price" of the Soviet equipment to any buyer seeking comparable materiel elsewhere, has set the value of the jet fighters Egypt got at around \$110 million, of the bombers at \$40 million, of the tanks at \$50 million, and of naval units at \$40 million. According to the same source, the Egyptians paid only \$80 million for the lot.

"MERCHANTS of death" still abound, but they do not traffic in the types of weapons which Moscow (and even Britain and the United States) are bestowing on the Arabs. On the Western side, only Britain and the United States manufacture heavy tanks in categories comparable to those Cairo has received from Moscow. Only the United States, France, and Britain make a bomber in the Soviet IL-28 class. These same three powers and Canada are the main producers

in the West of modern jet fighter planes. France, committed under American off-shore procurement contracts to certain schedules for production of Mystères to be used by the French air force as part of NATO, needs to "consult" and obtain "approval" for any delay in these schedules owing to diversion of aircraft to other hands. Canadair, a subsidiary of General Dynamics, builds Sabres at Montreal by agreement with North American Aviation. Italy, Australia, and Japan also produce or assemble jets largely based on American patents. Sweden manufactures jet fighters of independent design—but so far, for Swedish use only.

In almost every instance, the countries in the Western alliances which can supply modern aircraft to "outsiders" must—or prefer to—look to Washington for approval or leadership. In the end, therefore, the line invariably forms outside the door of the Department of State. The peculiar swinging open and shut of that door in recent months has been reported at length. Even when the Secretary of State ostensibly opened the door wide for allies and licensees to go out and sell, the latter were, understandably, reluctant to bear the entire brunt of Arab anger for selling arms to Israel. As for the United States herself, Israelis complained privately that the ban on arms to Israel went even beyond jet interceptors with which to cope with Egypt's Red-made bombers. (The Israeli arms "shopping list" presented last November to the State Department—at the latter's request—did *not* include any bombers.) The Department declined to make available to the Israelis, the latter pointed out, such clearly defensive weapons as certain types of anti-aircraft and anti-tank guns. Among these was a recoil-less gun which reportedly America was shipping in quantity to Iraq under a military-aid agreement. And as I have already indicated, the British had been turning a deaf ear to Israeli entreaties for Centurion tanks and night-fighter jets such as several Arab states already possessed in significant amounts. Thus Israel's financial need was lessened by a sheer shortage of sellers!

That need has been further reduced by certain human factors. All neutral observers agree in describing the level of skill and combat spirit as incredibly low among the Arabs and high among the Israelis. At least 60 per cent of each year's batch of draftees in Egypt are rejected as unfit. Arab inability to handle machines seems as inbred among the educated officers, except for a few maverick engineers, as among the peasant rookies. One of the main factors in the margin of security Israel still held, months after the first shipment of Soviet arms to Cairo, was the slowness with which the Egyptians were learning to use them. (By late May, according to reliable private reports, eight Mig-15s had already crashed and eight of Egypt's best pilots had been killed.) General innocence of maintenance techniques, which require a ground crew of eighteen for every jet pilot in the air, is a tremendous Arab weakness. Hence breakdown would seem to be possibly a greater threat to Arab mechanized military establishment than combat losses.

IT is questionable, anyhow, whether an army's backbone can be stiffened by equipment alone. As Israeli raiders of the Egyptian positions at Nitzana in the Negev discovered last year, their enemy actually had more weapons and machines (some still in crates) in the line than men, which did not prevent most of this equipment from being destroyed or captured.

But to bring in play the superiority they enjoy in skill and morale, the Israelis contend, they must have *some* of the *same* kinds of equipment as the enemy—if only in order to catch up and come to grips with him. The piston-engined American-made P-51 flies at around 430 miles an hour, the British-made Meteor at 575—but the Russian-made Mig-15 can reach a speed of 635 miles per hour. Planes that can keep up with it are the French-made Mystère Mark IV and the American-made F-86. (I omit consideration here of the faster-than-sound F-100 and other late models of various nationality, all of which render the Mig-15 obsolescent but

which, under present circumstances, would be available neither to the Arabs nor to the Israelis.) Mystère and F-86 speeds differ from the Mig-15's according to altitude: up to 20,000 feet the Western planes are faster, above this, to 40,000 feet, the Mig-15 has the edge. All three are supersonic—close to 800 miles per hour—only when diving.

The Egyptians in their Soviet-made jet IL-28's can carry four tons of bombs on short haul at a height of 40,000 feet. Israeli anti-aircraft guns cannot reach targets at that altitude. Only the Sabre and the Mystère, not the Meteor, can get up high enough and fast enough to do battle with the IL-28. Otherwise it is free to sit unmolested above Tel-Aviv (which it can reach in ten minutes from the advance Egyptian air base at El Arish) and plaster it with bombs.

THE Israelis want only a fraction of the amount of the new Arab equipment, but since that amount is already so large, even a fraction of it would be grievously expensive. As reported by non-Arab intelligence sources, the Egyptians are to receive perhaps 200 or more fighters and 60 IL-28 bombers, of which at least 100 and 40, respectively, have already been delivered. (A separate agreement is reported, without confirmation, for another 24 Mig-15's to Syria, to which the Egyptians meanwhile are said to be siphoning off their older jets as their newer equipment arrives.)

Russian armor already delivered to Egypt, it is reliably reported, includes no less than 100 giant Stalin Mark III tanks, heavier even than Centurions, and 200 lighter T-34's, which are in the same category as Israeli Shermans, but with certain mechanical advantages. To this must be added about 100 assorted medium and medium-heavy artillery pieces, among them a "Katusha" rocket launcher and a long-range 155-mm. gun, plus a large quantity of anti-aircraft and anti-tank guns and armored vehicles. It is also known that the Egyptians, who already had a larger, faster, heavier-armed fleet than the Israelis, have contracted behind the Iron Curtain for additional naval equipment, in-

cluding mine-sweepers, mine-layers, two destroyers, fifteen torpedo boats, and even—according to persistent but unverified rumors—some submarines.

Nor are Egypt's arms all that Israel must guard herself against. Iraq, Egypt's adversary on most other issues but pledged with her to "sacred unity" against Israel, ranks as the second military power in the Arab League. Thanks to a steady beefing-up from Anglo-American stores, Iraq is equipping two infantry divisions and the nucleus of a respectable armored force. Syria, rapidly overtaking Jordan as the third military power in the League, is relying mainly on the French for significant reinforcement in field artillery and mobile anti-tank guns and is reputedly receiving some T-34 and Stalin Mark III tanks from the East. She already has a full regiment of old German Panzer KW 4 tanks that were re-armed and modernized in Czechoslovak repair shops. Egypt and Iraq's new Centurion tanks, moreover, are equipped with gyro-stabilizers (worth \$60,000) which permit them to aim accurately when moving, while other types of tank must normally halt before they can fire with any accuracy.

THE Israelis no longer feel that stiff guarantees, such as the security pact with the United States they once sought—let alone the 1950 Tripartite Declaration—would be enough to assure their security: a "guaranteed" country must have the means to keep an attacker at bay until the "guarantor" arrives. (The Anglo-French security guarantees were faithfully and even speedily honored in 1939, but they did not save Poland.) Therefore the Israelis want arms first and guarantees afterward. And they want the categories of arms which could not merely hold the aggressor off but would deter him in the first place.

Egyptian strategy rests on the blitz, the Israelis warn, the doctrine of the sixty-odd Wehrmacht officers who are reportedly seeded through Egypt's land, sea, and air forces. The blitz requires planes and tanks in combination. That is why Nasser is col-

lecting so many of both. Israel's skies and earth are narrow, with no Urals to fall back upon. She can save herself from catastrophe only by intercepting an attack and countering it. She must possess the types of arms which will give her maneuverability, prevent hostile elements from invading her air and ground unchallenged, and permit her to menace the attacker's communications and bases. Most important of all, she must be able to administer the same blows to the enemy on his home soil as those he intends to deal her. And the enemy must know in advance that Israel has the means with which to do this.

In 1948 Egyptian planes were raiding Tel Aviv almost casually—until the Israelis managed to put together some surplus Flying Fortresses and visit Cairo with a few bombs, whereupon the Arabs fell into such a panic that their raids ceased instantly. Nasser can afford less than Farouk to let Egypt take punishment. He will be tempted to attack Israel *only* when he is sure that he can win by a quick knockout that will make retaliation impossible.

The list of needed arms that Israel submitted to Washington ten months ago included jet interceptors, heavy tanks, and anti-aircraft, anti-tank, and anti-submarine equipment. It did not include bombers, for fear the State Department would choose to interpret them as evidence of aggressive intentions. Some Israeli military people thought the omission was a mistake, and many more do so now in view of the growing conviction that the threat of retaliatory bombings would pacify the Egyptians more effectively than appeals or threats by the great powers. The Israelis' slow Mosquito bomber could be shot down almost at will by Egyptian jets long before reaching Cairo. The answer to the Soviet-made Ilyushin is the twin-engined Canberra, or the United States Air Force's Glenn-Martin B57 version of it. These cost \$600,000 apiece net, and about a million dollars fully equipped. (The French Vautour light bomber, too, is about equal to the Ilyushin.) Against the estimated five squadrons available to the

Egyptians, Israelis feel they ought to have—as a minimum—two squadrons totaling 24 jet bombers. Minimum security against Egypt's potential nine fighter wings (a wing has 24 planes) is reckoned as at least between three and four wings of latest Western type.

As for tanks, despite the high cost of the Centurion and Stalin, it is cheaper in the long run to buy them than the lower-priced anti-tank guns that are on the market. Israel is too poor in money and manpower properly to stud her vulnerable frontiers with anti-tank units. Her army's standard 17-pounder can shoot through a Centurion—but it takes two hours to emplace this gun and ready it for action. Is Israel's entire frontier to be lined with 17-pounders and their crews, at hundred-yard intervals? Besides, the weapon was never intended to contain an onslaught of tanks. The proper defense against tanks is other tanks. The Israelis want protection against the threat of the 150 late-model Arab tanks by acquiring 50 to 60 heavy tanks of their own. Finally, until refutation of the circumstantial evidence that the Egyptians are getting two to six submarines, the Israelis feel they must be able to meet this particular threat to their lifeline by obtaining adequate anti-submarine weapons.

PENDING "final" clarification of Western intentions concerning sale of adequate arms to Israel, she has been pushing a purchasing program for earlier-type jets that are to be modified and improved as well as ingenuity can devise. Some Meteors are being overhauled from top to bottom at a cost of \$150,000 apiece, to meet certain combat requirements for which they never were designed. A number of Ouragans, fast French jet interceptors known as the "forefather" of the Mystère, have been acquired. None of these planes, which cost an average of \$100,000 each, can keep up with a Mig, but apprentice pilots can learn the essentials of jet flying and combat in them. And if Israel ultimately obtains enough of the more modern types to give them adequate cover, these

earlier models can be useful if only to confront aircraft of the same types still in Arab operation.

For the moment, perforce, Israel is also devoting much of her military expenditure to defensive firepower, troop effectiveness, and civilian preparedness. Some of this defensive equipment even has a certain deterrent value; good anti-aircraft guns can at least keep enemy bombers at inefficient heights and frustrate attempts at pin-point bombing of strategic targets like power stations; electronic early-warning equipment can discourage air raiders hoping to find skies entirely bare; even "Molotov cocktails" have been known to scare off Arab tanks. The two British destroyers recently sold to Israel must outfight the four supplied to Egypt by Britain and the two by the Soviets—but they would obviously give the Egyptians more pause than if Israel had no destroyers at all.

Israel may import as many mobile guns as she has money to pay for, and she can produce redoubtable anti-tank equipment at home. Her ancient Shermans continue to be strengthened and limited quantities of a super-bazooka that can destroy the heaviest tank at short range are being manufactured. The availability of AMX-13 light tanks is growing. Ammunition must be accumulated for these and for the anti-tank 6- and 17-pounders, as well as for field artillery, including 155-mm. guns. Anti-tank mines are being shopped for.

To compensate somewhat for her lack of large tanks, Israel must insure greater mobility for her infantry. This means buying increased amounts of command cars, power wagons, jeeps, and other vehicles capable of navigating rough terrain and overtaking an enemy's armor. From Britain last year she was able to coax a number of half-tracks. At the same time the number of troops in the field must be kept substantial. No matter how much metal the enemy hurls, he cannot win ultimate victory without men on the ground. Israel counts on the superiority of her population's skills and spirit, and on the great depth of her reserves—and upon

her para-military agricultural settlements which make her soil bristle like a porcupine with strong points—to deny the enemy that victory.

No confirmed figures are available on the size of Israel's military establishment. Informed foreign observers estimate that the standing army has around 11,000 regular officers and non-coms, and some 40,000 national service draftees organized in three brigades, supplemented by an estimated 20 tank companies. The quarter-million troops Israel can mobilize in case of war represent 18 per cent of her total Jewish population, as compared with one-half of one per cent in the Arab countries. Her reserves being based on the territorial principle, they must be serviced with sufficient vehicles to concentrate with maximum speed at threatened sectors. They require top communications and signal equipment—and apparatus of ultra-modern American design is purchasable. The goal is for each troop unit to be self-sufficient, from flashlights to artillery. Each man—including service troops and especially every farmer in every settlement—must be equipped with a weapon.

Meanwhile a four-year plan for the fortification of new farm colonies is being pressed to completion in a single year. Clerks, cabinet ministers, rabbis, judges, and citizens of all descriptions have been volunteering their labor to build defenses for the outlying settlements. The stockpiling of imported foodstuffs, raw materials, and emergency machinery is proceeding despite the unfavorable impact on the country's balance of trade. A nationwide program of air-shelter construction has been launched, with the state bearing up to two-thirds of the cost, depending on the size and financial capacity of the individual communities.

How much is to be spent for Israel's urgent needs in all defense categories, and in what priority and ratio of outlay? The sum of IL 75 million is reported as the amount of local currency needed for the extra charges of the emergency. These are not costs of normal defense, which continue at

their regular level, but the *additional* expenditure required and payable in Israeli pounds. They cover such things as locally available air-shelter materials and the increased output of home-produced bazookas, mortars, submachine guns, spare parts, mines, grenades, shells, and light ammunition. As for the extra cost in foreign exchange, two informed estimates are offered, depending on whether or not the arms ban holds. If Israel continues to be largely denied fast jets and the like, she will need \$60 million for secondary—but under the circumstances all the more vital—equipment. If the diplomatic ban is withdrawn, she will need as much as \$100 million. The latter figure is privately suggested by military experts as their estimate of the cost of an effective reply to the Soviet-induced arms threat.

Should the larger expenditure be out of the question, it is believed that the better part of \$60 million would be concentrated on communications and improved radar, on naval craft, civil defense, vehicles and spare parts, anti-aircraft defense, guns and ammunition, tanks and anti-tank defense, apart from aircraft. But if the embargo were lifted, priorities would be radically shifted and Israel would buy interceptor planes rather than anti-aircraft guns, more tanks and fewer anti-tank guns, still more tanks and fewer vehicles. The bulk of the increase in expenditure would be for up-to-date aircraft. The lifting of the embargo would make such planes available to Israel, but not cut one cent off their price.

Israel currently uses up around \$400 million worth of foreign currency annually. The impact on her immature economy of a rise of 15 or more per cent in her spending abroad—on economically wasteful imports, on supplies adding not a single ounce or dollar to her real or potential productivity—would be painful. Even the increase in expenditure of local currency for military purposes already compelled by the Moscow-Cairo deal has had a sharp effect. On a normal outlay of an estimated IL 90-100 million, Israel must now impose an extra IL 75 million representing a minimum increased

charge of 75 per cent. Where and how are such emergency drafts of cash and credit to be obtained?

PREVIOUS estimates of required financial aid had already been upset in 1955 by the decision to increase immigration from North Africa. Emergency taxes yielding IL 15 million were imposed on tobacco, liquor, and other items as Israel's own contribution in this emergency. The Jewish Agency raised its budgetary allocations by IL 45 million (\$25 million). To meet this rise, the United Jewish Appeal was implored to collect in 1956 a "Special Fund" of \$25 million in philanthropic donations over and beyond its normal expectations, with another \$5 million to come from Jews outside the United States.

Before the 1956 UJA drive was even under way, the arms crisis erupted. At the same time, the North African pressure continued to grow. Israel's hard currency was incapable of meeting *both* needs. Golda Meyerson (Meir), then Labor Minister, rushed to America to plead that the target of the Special Fund for immigration be raised from \$25 to \$100 million. Otherwise Israel might be compelled—in allocating her meager foreign exchange—to choose between her military security and her moral purpose as a place of refuge against persecution. The Meyerson appeal, however, was considered impractical by a majority of American philanthropic leadership: the extra \$25 million already seemed difficult enough to obtain, and American Jewry in general was perplexed and disturbed by the arms issue, particularly in view of the State Department's reluctance to release arms for Israel.

In Israel, meanwhile, provision was at least being made to amass the IL 75 million needed in additional local currency. Organized voluntary collections for a Defense Fund (*Keren Magen*) raised about IL 18 million by the spring of 1956. In May, the Knesset voted a Defense Levy from which, combined with the Defense Fund, a further IL 55 million was hoped for through one-year direct surtaxes ranging from 3.8 to 14.3 per cent of income, and through higher

excise taxes on goods and services all the way from soft drinks to electricity and automobiles.

But no such taxes could be imposed or satisfactory computations made to produce in full the amount of foreign currency required for the combined increase in the immigration and arms bills. Some money came through from Jewry in Britain and the Dominions (over and above that raised by the special appeals for the North African immigrants). Brazilian Jews sent an impressive check direct to the Israeli Prime Ministry, earmarked specifically for arms. In the United States, the UJA eased the Israeli burden further by a nationwide refunding operation of previous bank loans within each community that produced some new cash for North Africans and other non-military obligations. The Israel Bond organization, by mid-summer, had sold more than 45 per cent above the previous year's levels to help bolster Israel's economic development programs.

Yet with the most sanguine estimates of accelerated UJA and Israel bond campaigns, plus income from exports and all other calculable sources of foreign exchange, the state must still foresee a gap of \$30 to \$40 million between the grand total of its available funds for peaceful growth and military preparedness, and the minimum sum necessary to purchase both.

Since security had to be bought at whatever sacrifice, two methods were envisaged for application *in extremis*. One required a drastic cut in appropriations for the productive development of the country; the other called for large-scale borrowing. Both plans, singly or combined, contained deep pitfalls.

Retrenchment on expenditures for productive development had already set in as early as a year ago. In 1954 the government had taken over from the hard-pressed Jewish Agency the financial responsibility for housing North African immigrants. But in 1955 the state felt compelled to turn this charge back to the Agency, and the latter was to meet it as best it could from UJA

receipts. To settle and employ newcomers already in the country, the government was still budgeting IL 45 million in the fiscal year 1956-57, but the Agency would have to find \$10 million somewhere for housing those yet to come. (In both ledgers, these items did not include the costs of hospitals, schools, relief for unemployables, and other immigrant outlays, which continued to be met by the ordinary state budget.) The straitened purse was already forcing some 6,000 freshly arrived families to accept temporary shelter in aluminum, asbestos, or wooden shacks, instead of moving directly into permanent stone housing. The era of the *ma-abarot*—those depressing, economically wasteful "work camps" in which new arrivals to the country languished, and which Israel had been on the verge of eliminating—had returned.

The impact of retrenchment also began to be felt in the farm colonization program. In the fiscal year 1954, some 60 per cent of the newcomers had been settled immediately in agriculture, where they could become productive with the briefest delay. But it costs much more to establish an immigrant family on a farm, with acceptable housing, tools, and instruction, than to dump it into a camp or town. In the fiscal year 1955, the ratio of agricultural absorption was cut to half; in the present year the decline was continuing at an accelerated pace.

This, and the financial curtailment of the ship-to-settlement program, meant a serious slowdown in the building up of the Negev, on which Israel counted heavily for eventual contributions to her economic resources. There and elsewhere, a cut in development expenditures in order to provide arms funds would cruelly affect the country's drive toward solvency. Currently Israel was allocating more than IL 200 million—one-third of her budget—to irrigation, electrification, and industrial expansion. To the degree that she would be constrained to reduce such expenditures, her eventual economic solvency would be further delayed and her present dependence on help from abroad prolonged.

THERE remained the alternative of borrowing. Borrowing had literally saved Israel in 1948, when cash scraped together on short-term loans had bought the few arms without which she would have been overrun. As the Arab-Israeli war progressed, loans piled on loans at a dizzy turnover pace. With usually only two to six months to pay off an individual note, the Israelis often had to incur a new loan merely to redeem an old one. At the end of 1948 the government was carrying as much as \$15 million or more of these short-term obligations on its books at one time. Although no debt was ever defaulted, the need to borrow fresh money to meet old obligations and to finance the new ones of the early postwar years provoked one crisis after another. In 1954 the debts due in the current twelve months stood at the unmanageable figure of \$110 million.

In that year the UJA borrowed through each community from local banks against anticipated philanthropic collections of future campaigns, and advanced the proceeds to Israel for liquidation of her more pressing short-term obligations. This meant that Israel in the next ensuing years would receive that much less from the UJA. But the operation, called a "refunding" or "consolidation," permitted the government to reduce the ratio of its short-term to its total foreign debt from 18 to 7 per cent, thereby substantially easing the necessity for hand-to-mouth financing.

But large recourse to helter-skelter borrowing to fill the present arms-fund gap would be taken only with extreme reluctance. In 1948 such borrowing did not depend solely on the generosity of individuals devoted to Israel. Nor could it depend on them exclusively if it had to be resumed today. One must also rely on banks and private loan agencies, and even on "sharks." When these facilities are exhausted, one turns then for help to the suppliers of the goods themselves. One buys on credit as long as possible, then ostensibly for cash—putting down a deposit without knowing where the rest of the purchase price will come from. Prices and in-

terest rates keep rising, and terms grow shorter, because your creditor cannot be sure how long you will remain a plausible risk. At the same time your normal, "respectable" sources of credit fade away as your widening commitments make you, in at least a technical sense, increasingly "unreliable."

Worst of all, the drop in your credit rating is not restricted merely to the area—in this case, arms-buying—which made you borrow in the first place. It affects many other branches of the economy—all those branches which depend in any way on imports. Poor financial standing, Israel has discovered, insidiously affects efficient purchasing. The penalty for dealing with less and less legitimate "bankers" and suppliers, and with an increasing number of middlemen, is higher prices all around for virtually everything on the market.

ISRAEL today, of course, is in better financial shape by far than in 1948. She would not, it is anticipated, have to borrow on harshly unfavorable terms. Her foreign-exchange earnings in exports are sizably larger. She has more liberal lines of credit available from various European countries and banks. The published total of her foreign-currency reserves in the Bank of Israel is ampler: \$51 million at the end of 1955, as compared with \$40 million only a year earlier.

On the other hand, borrowing might cost more than is apparent, and bring less real return, insofar as it could cut down on bond sales and possibly even on philanthropic revenue. A rise in imports due largely to Middle Eastern tension during 1955 has already brought the ratio of short-term loans up to nearly 10 per cent of Israel's total foreign debt. The nation's foreign currency reserves, moreover, do not represent cash fully available for defense. At least half are earmarked for other needs. Their whole sum represents not so much disposable reserves as that all-purpose fund which is as necessary to an infant national economy as his balance in the bank to a struggling businessman.

HOWEVER one looked at the problem, therefore, the price of security for beleaguered Israel in the fall of 1956 seemed appallingly high. Nevertheless, the financial crisis, at the moment of writing, was far from irremediable. The resiliency of Israel's economic sinews and supports, tested with good result in the past, could yet achieve a tolerable solution. Moreover, the usual good luck that has attended her in other emergencies was also prayerfully awaited in the current hour—and seemed on its way. After all, what Israel needed most was access to Western arms in a regular commercial manner. Israel had never asked for more. A lifting of the ban on the sale of weapon types comparable to her enemy's would permit her to use her normal, adequate credit facilities; it would enable her to enjoy a reasonable degree of both military and financial security. Indeed, the political reassurance given to potential lenders and suppliers by a Western all-clear signal on Israeli arms purchases would make it easier for Israel to meet the charges of a \$100 million defense maximum buying program than to raise the \$60 million for a second-rate program.

There now appears to be a good reason to believe that the embargo on arms to Israel is actually in process of being broken. If so, Israel will have her greatest single antagonist, Egypt's Gamal Abdel Nasser, to thank for this.

Until shortly before the eruption of the present Suez crisis, the only substantial dent in the embargo on major weapons for Israel had been made by the French shipment of twenty-four Mystère fighters. The State Department, clinging to its declared position, said that while it did not object to sales by others, the United States must avoid any action that would cause the Arabs to side with the Soviets and identify Israel with the West. The State Department, further, declared that little Israel's efforts to arm herself against the vast Arab world were essentially futile.

This position, it is known, was seriously hampering Israel's efforts to obtain arms elsewhere. Apart from long-shot possibilities

like Italy and Japan, the likeliest sources were Canada and France. In the former case, it is reported, sentiment was exceptionally strong for the Israeli cause. Indeed, it is said that the Canadian parliament and the entire Canadian cabinet—with one exception—were prepared to act. The exception was Prime Minister Louis Stephen St. Laurent. According to private accounts, he, too, was sympathetic with Israel's position. But he believed that any action should be internationally concerted and that Canada should not "go it alone" while other powers "played it safe."

This writer now understands that the Canadian misgivings were effectively dispelled this summer. Canada, France, and certain other interested governments, it is reported, agreed to make a positive joint contribution to redressment of the balance of military power between Israel and the Arab states. In fact, these governments were believed actually ready this summer to inaugurate a schedule of sales to Israel which would have met her essential requirements in all major weapons except bombers.

By a monumental irony, however, this entire development was brought to a standstill by the Suez crisis. The reported decision to arm Israel had been reached in large part because of Arab intransigence on all fronts—and especially because of Nasser's hostile

performances throughout the previous months. Yet when the stormy Egyptian leader outdid himself by seizing the Canal, his very extremism caused the arms program for Israel to grind to a sudden halt. It apparently was felt that the strong and plain international case against Nasser on the Suez issue should not be complicated or weakened by relatively subordinate or extraneous considerations. Why give the Egyptian president a pretext to accuse the West of supporting "Zionist" purposes? Why drive the other Arab states into a common front against Israel and the West?

If all this is true, one may be permitted to reserve judgment on the cogency of such reasoning. Many observers would feel that the hour is uncommonly late to be still hoping for Arab reasonableness and restraint in exchange for Western conciliation. In any case, it is believed that the present freeze on the reported plan to sell arms to Israel must sooner or later be reviewed. For the moment, the whole matter is concealed behind heavy diplomatic curtains. But one thing seems quite clear: if Nasser is left alone in the exercise of his natural gift for alienating Western opinion and governments, he is virtually certain to end up by provoking the Western powers into giving Israel adequate military and financial security.